



New Obligation to the SEC

Client relationship summaries will be needed to do rollovers

ADVISER QUESTION: I'm an investment adviser registered with the Securities and Exchange Commission [SEC]. I provide investment advice to individuals about rollovers from 401(k) plans or transfers from existing IRAs [individual retirement accounts] to IRAs that I manage. Will I have to provide a client relationship summary [Form CRS] for this advice, and, if so, what does that entail?

ANSWER: Yes. The Form CRS disclosure obligation will be triggered when you provide rollover advice to an individual who comes to you as a retail investor. There are two disclosures for rollovers. One is for new clients and the other is for existing clients, each with specific delivery requirements.

Advisers should evaluate how they practice giving rollover advice and integrate Form CRS delivery into their processes.

Usage and Filing Deadlines

The Form CRS is a new disclosure obligation that must be filed with the SEC between this May 1 and June 30 and delivered to retail investors. It's intended to provide them with a succinct—i.e., two-page—high-level overview of a registered investment advisory (RIA) firm's services, fees, costs, standards of conduct, conflicts of interest and disciplinary history to help them decide whether to engage the firm.

For purposes of this disclosure, a retail investor is defined as a "natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes." In its Interpretation Regarding Standard of Conduct for Investment Advisers, the SEC explains that retirement is a personal, family or household purpose and that retirement plan participants fall within the definition of a natural person. As a result, the Form CRS disclosure rules will apply to plan participants. However, Form CRS does not need to be delivered to a plan fiduciary seeking services for an employer plan, except in the case of small Keogh plans.

When an adviser recommends a rollover, the best interest standard of conduct applies to that advice, and this new

disclosure obligation will also apply. The SEC interpretation clarified that investment advisers have a duty to provide advice that is in the best interest of the retail investor. For rollovers, this duty applies to advice both about the type of account the assets are rolled into and the investments or investment strategy for the rolled-over assets. When you give rollover advice to either new or existing clients, the Form CRS disclosure obligation will apply.

For new clients, the form must be delivered before or at the time you enter into an investment advisory contract with them. However, for retail investors who, on June 30, are existing clients, the form must be delivered within 30 days of the date your firm is first required to file it with the SEC.

But what if you're recommending a rollover to an existing client who has already received the form? The answer is that another Form CRS must be given to that individual. That requirement is based on the SEC's view that a rollover recommendation is separate and significant from the services already being provided to that client and, therefore, warrants a new CRS delivery.

Delivery Methods

If any information in the Form CRS becomes materially inaccurate, you must update the form and file it with the SEC within 30 days. You'll need to notify retail investor clients within 60 days after the updates are required to be made.

The form may be sent in paper format or electronically, consistent with SEC guidance on electronic delivery. If it is delivered electronically, it must be presented prominently, as a direct link or in the body of an email or message, and must be easily accessible for retail investors. The form may be delivered separately or along with information that you already provide, such as the annual Form ADV [Uniform Application for Investment Adviser Registration] update. If delivered as part of a package of documents, it must be the document on top.

Advisers should evaluate how they practice giving rollover advice and integrate Form CRS delivery into their processes.

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